Statement Of
The Federal Deposit Insurance Corporation
On
Potential Mixed Messages
Is Guidance from Washington Being Implemented
By
Federal Bank Examiners
before the
Subcommittee on Financial Institutions
And
Consumer Credit Committee on Financial
Services House of Representatives
Newnan, Georgia
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Chairman Capito, Ranking Member Maloney, and members of the Subcommittee, we appreciate the opportunity to testify on behalf of the Federal Deposit Insurance Corporation (FDIC) about banking conditions across the nation and specifically in Georgia, actions taken to ensure fair and consistent bank examinations, and guidance issued to encourage banks to originate and, when appropriate, restructure loans. In addition, our testimony discusses the FDIC's role as receiver for insured depository institutions that fail and the shared-loss agreements that are used to handle some loans resulting from failed institutions.

The Challenging Environment for FDIC-Insured Institutions

As the Subcommittee has discussed in previous oversight hearings, the collapse of the U.S. housing market in 2007 led to a financial crisis and economic recession that has adversely affected banks and their borrowers in Georgia and nationwide. Georgia's economy was hit especially hard following years of strong economic growth characterized by rising real estate prices, abundant credit availability, and robust job creation. The pace of economic recovery has been slow. In addition, heavy loan losses have weakened some banks' capacity to lend.

Financial institutions, whose performance is closely linked to economic and real estate market conditions, have been significantly affected by a rise in the number of borrowers who are unable to make payments. This has led to elevated numbers of unprofitable and "problem" financial institutions. As of March 31, 2011, there were 888 FDIC-insured institutions nationwide on the FDIC's problem bank list, representing approximately 12 percent of all FDIC-insured institutions. This is the highest volume of problem institutions in nearly 20 years.

The economic downturn has also resulted in a significant increase in bank failures. Nationally, there have been 386 bank failures since the beginning of 2008, 326 of which have been community banks – those with total assets less than $1 billion. While still

high, the current pace of failures is slowing. There have been 64 failures so far in 2011 through August 12th compared to 110 failures at this same point in 2010. In Georgia, there have been 67 bank failures since the beginning of 2008 through today, the highest number of any state. Thus far in 2011, 16 banks in Georgia have failed, compared to a total of 21 failures in 2010 and 25 in 2009. The FDIC is keenly aware of the significant hardship of bank failures on communities in Georgia and across the country. The FDIC's supervisory goal is to avoid bank failures whenever possible by initiating timely corrective measures. As a result, most problem banks do not fail and can continue to serve their communities. In fact, most banks across the country are in sound condition, well capitalized and profitable.

One factor contributing to Georgia's bank failures was the sharp deterioration in the residential real estate market which weakened the state's banks, particularly in the Atlanta metropolitan area. Bank failures in Georgia rose sharply in 2009 when real estate values declined, the supply of housing increased, and unemployment rose to 10.4 percent. At the time, banks were contending with rapid increases in loan delinquencies, defaults, and resultant losses. A common characteristic of Georgia banks that failed was significant volumes of construction and development (C&D) and commercial real estate (CRE) loans, sometimes supported by non-core funding sources as opposed to local deposits. Georgia's insured institutions had the nation's highest median concentration of C&D loans to total capital at year-end 2007 -- 170 percent -- not long after home prices peaked.

Georgia's economic, real estate, and banking conditions remain challenging. The state's unemployment was high at 9.9 percent in June 2011 (compared to 9.1 percent nationally in July) with some sectors, such as construction, continuing to lose jobs. Historically, Georgia has experienced a strong net population migration into the state that powered the local economy and especially the housing market. Net migration into Georgia averaged almost 74,000 per year between 2000 and 2010, with a peak of almost 144,000 in 2006. But net migration into Georgia declined to under 3,000 in 2010.1

Since peaking in April 2007, home prices in Atlanta fell by almost 24 percent through May 2011. However, prices may be approaching a bottom. Since May 2010, prices have declined by almost 5 percent, and since April 2011, prices have declined only 0.2 percent.2 In Atlanta, housing starts are off by over 80 percent since the peak in 2006,3 yet data suggest that the Atlanta region still has a large inventory of available housing. According to the U.S. Census Bureau, from 2000 to 2010 the supply of new housing units outpaced demand by 50 percent in the four largest metro Atlanta counties (Fulton, Gwinnett, DeKalb and Cobb). In those four counties, more than 143,000 houses, condos, apartments and other units were vacant in 2010.4 More than 300 suburban neighborhoods throughout metro Atlanta have a concentration of vacant housing that exceeds 10 percent - a level that raises red flags. A commonly accepted benchmark, in a healthy neighborhood, is no more than 5 percent or 6 percent of properties vacant at any given time.5

This economic backdrop has resulted in a weakened aggregate financial profile for Georgia's banks, which have lost money for 10 consecutive quarters. As of March 31, 2011, 38 percent of Georgia banks were unprofitable, compared to 15 percent nationally. Georgia's banks also reported a noncurrent loan ratio6 of 5.19 percent in March 2011, up from 4.10 percent at year-end 2009. Deterioration has been most severe among C&D loans, as the percentage of noncurrent C&D loans has exceeded 20 percent for the past two years. These and other conditions will likely cause the number of problem institutions in Georgia, and in other states with similar economic conditions, to remain elevated for some time. Importantly, most troubled banks remediate their financial weaknesses over time and regain their ability to provide essential financial services, including making loans to creditworthy borrowers.

The Economic Downturn's Negative Effect on Lending

Community banks, which comprise the vast majority of FDIC-supervised banks, play a vital role in credit creation across the country, especially for small businesses. While community banks represent only 11 percent of industry assets, they provide a significant 38 percent of the industry's small loans to businesses and farms.7 However, the lingering effects of the economic recession have resulted in reduced demand for new loans. Recent surveys, such as the Federal Reserve Senior Loan Officers' Opinion Survey and the National Federation of Independent Businesses Survey on Small Business Economic Trends, indicate that demand for new loans from creditworthy borrowers remains sluggish. These findings are consistent with recent anecdotal information that our bank examiners have gathered. Bankers have identified three primary obstacles that they face in making loans: lack of demand from creditworthy borrowers, market competition, and the slow economy.

In response to the real estate and economic downturn, the FDIC has adopted policies that can help community banks and their customers. We have joined several interagency efforts that encourage banks to originate and restructure loans to creditworthy borrowers. For example, the federal bank regulatory agencies issued the Interagency Statement on Meeting the Needs of Creditworthy Borrowers on November 12, 2008, which encourages banks to prudently make loans available in their markets. On October 30, 2009, the FDIC joined in issuing the interagency Policy Statement on Prudent Commercial Real Estate Workouts, which encourages banks to restructure loans for commercial real estate mortgage customers experiencing difficulties in making payments. This guidance reinforces long-standing supervisory principles in a manner which recognizes that pragmatic actions by lenders and small business borrowers are necessary to weather this difficult economic period. The banking agencies also issued the Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers on February 12, 2010, which encourages prudent small business lending and emphasizes that examiners apply a reasonable approach in evaluating loans. The clarification provided by these interagency statements has helped community banks become more comfortable extending and restructuring soundly underwritten loans. In turn, we expect that borrowers will benefit from more flexible credit structures that banks may offer.

The FDIC also broadened its dialogue with the small business community by sponsoring a Small Business Forum earlier this year. The Forum focused on economic and credit conditions facing small businesses, and included a discussion from participating government and business leaders on possible solutions for overcoming any obstacles to credit availability. As a part of this Forum, the FDIC invited small businesses to provide the Corporation with feedback on their current business challenges, credit needs, and relationships with financial institutions. The FDIC will continue its strong support of prudent small business lending to fulfill the financial needs of creditworthy entrepreneurs.

The FDIC's Supervisory Approach

The FDIC serves as primary federal regulator for state-chartered institutions that are not members of the Federal Reserve System. The FDIC supervises 4,664 of our nation's 7,574 insured institutions, representing 62 percent of all institutions. Of the 261 insured institutions in Georgia, the FDIC serves as primary federal regulator for 211 or 81 percent of institutions. In Georgia we have field offices in Atlanta, Albany, and Savannah in addition to our Atlanta Regional Office. Our examiners, who are familiar with the community banks and local conditions in their areas, are knowledgeable about the economic challenges confronting banks and their customers. In fulfilling our supervisory responsibilities, the FDIC works closely with the Georgia Department of Banking and Finance which charters and supervises banks in this state.

The FDIC strives for a balanced approach to supervision that relies significantly on the validation of banks' own risk management processes and adherence to generally accepted accounting principles. Banks have flexibility, within prudential safety and soundness standards, to manage their loan portfolios and individual credit relationships. During each on-site examination, FDIC examiners engage in a fact-based, objective review of an institution's financial risk, the quality of its loan portfolio, and conformance with banking regulations. In analyzing the quality of a loan, our examiners focus on the borrower's cash flow and capacity to repay the loan according to its terms. If the borrower cannot pay as promised, we consider any secondary sources of repayment to support the loan, such as pledged collateral or personal/corporate guarantees. Importantly, our examiners do not focus on the price of properties from distressed sales. Instead, we evaluate the borrower's cash flow, financial position, and overall ability to repay the debt.

Real estate downturns, such as the current situation, result in an increase in problem loans and related losses when borrowers are unable to make contractual payments. Such conditions necessitate close oversight by bank management to monitor credit performance, manage loan workouts, apply effective loan grading and review processes, and ensure accurate accounting for problem loans. Loans that present a heightened risk of non-payment are usually identified by the bank itself and receive increased attention from loan officers to mitigate potential loss exposure. During their loan review process, examiners assess the accuracy and reliability of management's

internal grading systems and, in the majority of cases, examiners confirm banks' own internal ratings.

Examinations also assess the appropriateness of an institution's allowance for loan and lease losses (ALLL) within the framework of U.S. generally accepted accounting principles (GAAP). At the end of each quarter, financial institutions estimate loan portfolio credit losses so that an appropriate ALLL is maintained and recorded on regulatory Reports of Condition and Income. GAAP requires that the ALLL reflect losses which are probable and estimable; therefore, bank management must determine an appropriate ALLL level that is supported by reasonable assumptions and objective data. When available information confirms that specific individual loans, or portions thereof, are uncollectible, GAAP requires these amounts to be charged off against the ALLL. If the ALLL is found to be insufficient during an FDIC examination, we may recommend that management increase the allowance or improve its ALLL calculation methodology for adhering to GAAP to ensure accurate financial reporting. Replenishment of the ALLL, if necessary, comes from bank earnings.

The FDIC takes great care to ensure national consistency in our examinations. Through our formal examiner training and commissioning process, to internal work product reviews and ongoing communication at every level, we strive to ensure that examiners follow prescribed examination procedures and FDIC policy. As a matter of practice, the FDIC's executive management team responsible for bank supervision maintains an on-going dialogue with examiners to make certain that consistent examination procedures are followed. Before the final Report of Examination is issued to a bank, our regions and our Washington office (in cases involving deteriorating banks), perform a secondary review to ensure consistency with outstanding guidance and accuracy of our assessment of the institution's risk profile.

The FDIC Chairman and members of the Board of Directors also meet with our examiners through personal visits to regional and field offices, as well as regular national teleconferences involving all employees. At the more local level, our Regional Directors meet with their examiners to reinforce FDIC policies and ensure that an even-handed approach to supervision is maintained. The FDIC's examiners are expected to adhere to the FDIC's Manual of Examination Policies, procedural directives, guidance issued to the industry, and prudential bank supervision tenets. The Corporation promptly follows-up on any concerns about deviations from FDIC policy, and we address these matters immediately.

The FDIC's Examination Program is a Transparent, Two-Way Process

At the conclusion of on-site examination work, FDIC examiners always discuss their preliminary findings with bank management and the board of directors. Such communication provides bankers with an opportunity to discuss the FDIC's conclusions and express the bank's viewpoint on findings, recommendations, and the supervisory process in general. The FDIC follows an open, two-way communication process with financial institutions, and we consider banks' comments about our conclusions in the

shared interest of accurately assessing the bank's risk profile, understanding its strategic goals, and serving the local community. We conduct more than 2,500 on-site examinations annually, and recognize that questions about and even disagreements with our findings may sometimes arise, especially in difficult economic times. The FDIC has a number of outlets for bankers to express their concerns when this occurs. When banks disagree or are uncomfortable with examination findings, they are advised to discuss such concerns with us.

On March 1, 2011, the FDIC issued Financial Institution Letter-13-2011, Reminder on FDIC Examination Findings, which reinforces the Corporation's policy that encourages banks to express any concerns about an FDIC examination or supervisory determination through informal or formal channels. We have found that the most effective method for understanding FDIC supervisory conclusions is to raise concerns with the examiner-in-charge or the appropriate field or regional office. Banks can informally contact FDIC offices by telephone or email, or request a meeting in-person. If an institution is unable to resolve its concerns or believes that our regional office is not carrying out FDIC policies, the institution is encouraged to contact our Washington office. We have set up a dedicated email-box and provided contact names and phone numbers to facilitate this process. Most follow-up discussions are successful in resolving the issue; however, if these informal channels do not resolve concerns, a formal appeals process is available. An institution may also contact the FDIC Ombudsman to facilitate the resolution of problems and complaints in a fair, impartial, and confidential manner. The FDIC strictly prohibits any retaliation or retribution by any examiner or employee against any institution.

We are aware of concerns expressed by some bankers that examinations are being conducted in an overly conservative manner during this challenging economic time. To address these perceptions, we have expanded our outreach at the national, regional, and state level to broaden our communication with both individual banks and trade associations. The FDIC welcomes feedback from the industry and relies on bankers' informed perspective as we consider refinements to our supervisory process. We also use our outreach channels to clarify supervisory expectations and explain our approach to handling emerging risks. A primary outreach resource for the FDIC was the establishment of the FDIC Advisory Committee on Community Banking in 2009. This Committee, which includes a community banker from Georgia, provides us with advice and guidance on a range of policy issues impacting community banks nationally, as well as the local communities they serve. The Advisory Committee has provided valuable input on examination policies and procedures, credit conditions, regulatory compliance matters, and obstacles to the continued growth and ability to extend financial services in their local markets. Our Atlanta Regional Office has also pursued an active dialogue with the banks it supervises and has welcomed all opportunities to meet with institutions to discuss their business plans and any concerns they may have about our supervisory program. The Region's staff regularly participates in and hosts roundtables, meetings with trade associations, and outreach events such as our Directors' Colleges.

Resolution of Failing Banks

Throughout the financial crisis, the FDIC has worked to maintain financial stability and public confidence in the banking system by giving insured depositors of failed banks quick and easy access to their funds. In fulfilling our statutory obligations to depositors and the Deposit Insurance Fund (DIF), we strive to resolve failing banks in the manner that is the least disruptive to depositors, borrowers and communities while minimizing the cost to the DIF. When the Comptroller of the Currency or a state banking regulator closes an FDIC-insured institution, the law requires the FDIC to use the least costly method of resolving the failing institution. The least costly method minimizes the cost of bank failures not only to the DIF but also to the thousands of banks and thrifts that fund the DIF through insurance premiums.

In resolving failing banks consistent with the least cost mandate, the FDIC's goal is to keep as many of the bank's assets and liabilities in the private sector as possible. Hence, we strive to effect a purchase and assumption agreement for the whole bank that includes the acquisition of the performing and non-performing assets at a competitive price, along with the assumption of the deposits and other liabilities. A whole bank agreement minimizes the FDIC's asset disposition costs and is better for the borrowers since it gives them a potential source of new credit from the assuming bank. Whole bank purchase and assumption agreements are entered into after a competitive bidding process among interested and qualified banks.

Unfortunately, we are not always successful at resolving banks in this manner. Often, failing banks with little or no franchise value and poor asset quality do not attract sufficient interest from viable bidders to warrant a sale. In those instances, depositors with insured funds are paid the full amount of their insured deposits. Depositors with uninsured funds and other general creditors of the failed institution are given receivership certificates entitling them to a share of the net proceeds from the sale and liquidation of the failed institution's assets. The FDIC as receiver for the failed bank assumes ownership of all the failed bank assets and must manage, market and sell the assets. Because the FDIC, as manager of failed bank receiverships, is neither a long-term investor nor lender, we generally do not extend additional credit on such assets. The impact of this type of resolution is the most disruptive for borrowers, failed bank employees, and the surrounding community. Additionally, the loans may be sold to private investors outside the banking system, who may have little interest in extending additional credit to troubled borrowers.

Shared-Loss Agreements

During the current financial crisis, the FDIC reintroduced whole bank purchase and assumption agreements with loss share coverage in order to maximize the return to the DIF and effect as many whole bank transactions as possible. The FDIC had initially utilized these arrangements during the banking crisis of the early 1990s. Turmoil in the economy and significant uncertainty about future loan performance and collateral values necessitated utilizing this technique -- especially early in the current crisis -- since potential buyers of these failing banks have been unwilling to take on the credit risk

associated with a failed bank's non-performing loan portfolio. The goals of shared-loss arrangements are to allow as many assets as possible to be kept in the private sector with a lending institution and to have the assets managed by the assuming bank through incentives that closely align the interests of the bank with the interests of the FDIC. Under loss share, the FDIC agrees to absorb a significant portion of the losses -- typically 80 percent -- on a specified pool of assets while the assuming bank is liable for the remaining 20 percent. It is important to note that because an assuming bank has significant financial exposure to the losses on assets purchased under this arrangement, it has every incentive to utilize a "least loss" strategy in managing and disposing of these assets.

Shared-loss agreements also soften the effect of bank failures on the local market by keeping more of the failed bank's borrowers in a banking environment. The assuming bank can more easily work with the borrowers to restructure problem credits or to advance additional funding when prudent, helping to avoid a further decline in collateral values in a failed bank's market. And most importantly for the borrowers, the shared-loss agreements require assuming banks to review qualified loans for modification to minimize the incidences of foreclosure.

Without shared-loss agreements to attract potential acquirers of failing banks, the FDIC would have had to take ownership of and liquidate the assets of many of the banks that failed over the last three years. As mentioned earlier, this would have resulted in larger losses on these assets, greater losses to the DIF and more disruption for borrowers and surrounding communities. Almost 70 percent of the bank failures since the beginning of 2008 were resolved through purchase and assumption transactions with shared-loss agreements. As of August 5, 2011, the estimated savings of utilizing whole bank agreements with loss share is approximately $39.7 billion, compared to liquidation of those institutions. Since the beginning of 2008, there have been 67 banks in Georgia that have failed with total assets of $31 billion; 41 of the 67 banks were acquired by other Georgia institutions; and, 76 percent were resolved through purchase and assumption transactions with shared-loss agreements.

Prospective bidders for failed institutions have the option to bid with (or without) loss share. We expect the number of failing bank resolution transactions where loss share is included will decrease as the economy recovers and real estate markets stabilize.

Term of Shared-Loss Agreements

There are two primary types of shared-loss agreements, which are based on the underlying covered assets: single family mortgage loan (one to four units) shared-loss agreements and commercial real estate loan shared-loss agreements. Single family shared-loss agreements have a term of ten years. Commercial real estate shared-loss agreements have a term of five years with an additional three years to allow for recoveries on the assets for which a shared-loss claim was paid. The long term nature of the agreements are intended to allow for the assuming bank to work with distressed loans to reach a mutually beneficial modification with the borrowers and also allow time

for economic conditions to improve. The expiration of the term of the agreements does not change the underlying incentives for the assuming bank to develop new customer relationships and maximize its return on assets.

Management of Acquired Assets

The assuming bank is required to manage and administer each loan covered under the shared-loss agreement in accordance with prudent business and banking practices and the assuming bank's written internal credit policies and usual practices. In addition, assuming banks must administer and undertake loss mitigation efforts prior to taking any foreclosure action.

Loss mitigation alternatives are encouraged in order to improve borrower affordability, increase the probability of loan performance, preserve communities, and increase the value of the loans - thereby increasing the bank's incentive to hold and service the loans. Because the assuming banks share approximately 20 percent of any losses, they are motivated to pursue loss mitigation alternatives to foreclosure or short sale whenever a modification or restructuring produces a greater expected return than a foreclosure or short sale. For borrowers, modified loans can preserve their investments in their homes and businesses.

Requiring the assuming bank to maximize the return on assets helps support collateral values in the failed bank's market. The evaluation of loss mitigation options ensures that sustainable and affordable loan modifications are available to the failed bank's troubled borrowers. The FDIC believes that mortgage loans that are managed well, and held for a period of time, will perform significantly better with the improvement in the overall economy, resulting in a better return on the loans than foreclosures in the current real estate market.

Commercial Real Estate Loan Restructuring Requirements

Commercial loan restructurings are designed to convert a non-performing loan, or a loan that is on the verge of becoming non-performing, to performing status consistent with the ability of the borrower to repay the debt. Loan restructurings can include an extension of the term of the loan, interest rate reduction, and principal forbearance or forgiveness. The FDIC requires the assuming bank to limit losses on commercial real estate loans. In addition, assuming banks may want to develop and expand business relationships with commercial borrowers in these communities. Restructuring loans at risk can turn these loans into interest earning assets while keeping the protection of loss share coverage during the five-year coverage period. It also provides an opportunity for borrowers to improve their business conditions. Nonetheless, both borrowers and lenders must recognize the near term challenges posed by an over supply of construction and development projects in many communities.

On December 17, 2010, the FDIC issued Commercial Loss Mitigation Guidance on Commercial Real Estate (CRE) Loans to assuming banks to encourage disposition

strategies other than foreclosure. For commercial loans, the assuming bank is reimbursed for claims based on a loan or portion of a loan that is categorized as a loss under supervisory examination criteria. Therefore, an assuming bank may file a shared-loss claim on a commercial loan restructure as a result of a principal reduction, as well as a result of a foreclosure.

Residential Mortgage Modification Requirements

Single family shared-loss agreements require the assuming bank to implement a loan modification program, such as HAMP or the FDIC Loan Modification Program, to modify loans that improve borrower affordability, increase the probability of performance, and allow borrowers to remain in their homes.

For single family mortgage loans, the assuming bank is required to perform and document a least loss evaluation when assessing the feasibility of modifying a single family mortgage loan. If a qualified borrower accepts the modification offer, the bank can submit a shared-loss claim to the FDIC. The other option for submitting a claim for a residential mortgage loan occurs after all loss mitigation options have been pursued and the real estate owned property is sold after a foreclosure. Depending on the state the property is located in, this process can take 500 days or more. Hence, the bank has every incentive to consider and engage in single family mortgage loan modifications where that alternative is viable.

Monitoring of Shared-Loss Agreements

The FDIC monitors compliance with the shared-loss agreements through quarterly reporting by the assuming bank and performing periodic reviews of the assuming bank's adherence to the agreement terms. If the FDIC determines that the assuming bank has not complied with the terms of the shared-loss agreement, including the requirement to consider loan modifications, the FDIC will delay payment of loss claims until compliance problems are corrected. We can deny payment of a claim all together or cancel a shared-loss agreement, if compliance problems continue.

The periodic reviews of the assuming bank are completed on-site and include verifying the accuracy of monthly and/or quarterly shared-loss claim certificates; ensuring compliance with loss mitigation efforts; testing the assuming bank's policies and procedures to ensure uniform criteria are being applied to both loss share and non-loss share assets; reviewing internal audit reports and the external independent public accountant report ensuring internal controls are in place; and ensuring that adequate accounting, reporting, and record keeping systems are in place. Thus far, we have found that the overwhelming majority of assuming banks are diligent in their efforts to comply with all the terms of the shared-loss agreements.

Conclusion

The pace of economic recovery has been slow, presenting challenges to banks and their borrowers. The FDIC and the other regulators have instituted policies that can help banks and their borrowers navigate this difficult economy. FDIC bank examiners have strong professional skills and judgment, and understand the significant efforts that banks are making to address the complexities of this environment. They are working diligently to implement our balanced approach to bank supervision. The FDIC will continue to work with banks to strengthen their financial position so they can increase lending and contribute to economic growth in Georgia and across the nation.

Throughout the financial crisis, the FDIC has brought stability to the banking system by providing depositors quick access to their funds through timely resolutions of failed banks. The shared-loss agreements that the FDIC has employed during this banking crisis have saved the DIF and the banks that pay FDIC premiums approximately $39.7 billion. Shared-loss agreements have insured that problem loans from failed banks have remained in the private sector with incentives to engage in loan modifications and the possibility of new sources of credit for troubled borrowers.

We appreciate the opportunity to testify today and will be happy to answer any questions.

1 Census Bureau; Moody's Analytics

2 S&P / Case-Shiller Home Price Index.

3 Census Bureau; Moody's Analytics

4 "Economy Creates 'a renter's nation'," Derek Kravitz, Associated Press, June 1, 2011

5 "Surge in Vacant Houses Sweeps Neighborhoods," Craig Schneider and Victoria Loe Hicks, Atlanta Journal-Constitution, March 30, 2011.

6 The noncurrent loan ratio is the total of nonaccrual loans plus loans more than 90 days past due, divided by total loans.

7 Small loans to businesses and farms are (1) commercial and industrial loans of less than $1 million; (2) loans of less than $1 million secured by nonfarm, nonresidential real estate; (3) agricultural production loans of less than $500,000; and (4) loans of less than $500,000 secured by farmland.

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